

**THE
ALGOMA STEEL CORPORATION,
LIMITED**

**NOTICE OF
ANNUAL AND SPECIAL MEETING
OF SHAREHOLDERS
and
MANAGEMENT INFORMATION CIRCULAR**

TIME: 2:15 p.m. Eastern Standard Time,
TUESDAY, April 17, 1984

PLACE: Algoma Steel Club
89 Foster Drive
Sault Ste. Marie, Ontario

THE ALGOMA STEEL CORPORATION, LIMITED
503 QUEEN STREET EAST, SAULT STE. MARIE, ONTARIO

March 19, 1984

To the Shareholders:

Included in this booklet are the notice of the annual and special meeting of shareholders to be held on April 17, 1984, a form of proxy, and a management information circular containing in some detail matters to be dealt with at the meeting.

The interest of shareholders in the affairs of the Corporation is always encouraging. This interest has been reflected by the number of shareholders represented in person or by proxy at the annual meetings of shareholders in recent years. Your continued participation in this manner would be appreciated.

If you plan to attend the meeting it would be helpful if you would let the Secretary know in advance. Whether or not you plan to attend, we would appreciate your signing and returning the enclosed proxy form to assure that you are represented by proxy if something should arise preventing you from attending the meeting.

Peter M. Nixon
President and
Chief Operating Officer

John Macnamara
Chairman and
Chief Executive Officer

THE ALGOMA STEEL CORPORATION, LIMITED

Notice of Annual and Special Meeting of Shareholders

April 17, 1984

Sault Ste. Marie,
Ontario
March 19, 1984

To the Shareholders:

Notice is hereby given that the annual and special meeting of shareholders of The Algoma Steel Corporation, Limited will be held at the Algoma Steel Club, 89 Foster Drive, in the City of Sault Ste. Marie, Ontario, Canada, on Tuesday, April 17, 1984 at the hour of 2:15 o'clock in the afternoon Eastern Standard Time for the following purposes:

1. To receive and consider the annual report and the consolidated financial statements of the Corporation for the year ended December 31, 1983 and the auditor's report thereon.

2. To consider and vote upon Special Resolution No. 9 of the Corporation amending the Articles of the Corporation to delete the objects set out therein, to delete the provision therein authorizing the Corporation to purchase its common shares, to provide for a minimum of eight and a maximum of fifteen directors of the Corporation, and to provide for borrowing powers.

3. To consider and vote upon Special Resolution No. 10 of the Corporation determining the initial number of directors of the Corporation to be twelve and empowering the directors from time to time to determine the number of directors of the Corporation within the range of directors provided for in the Articles of the Corporation.

4. To consider, and if thought advisable, to confirm with or without variation By-law A of the Corporation repealing the existing By-laws and Special By-laws of the Corporation and providing for the conduct of the business and affairs of the Corporation.

5. To elect directors.

6. To appoint the auditor and to authorize the board of directors to fix its remuneration.

7. To transact such other business as may properly be brought before the meeting.

The full text of the Special Resolutions and By-law referred to in items 2, 3 and 4 above is set forth as Schedules "A", "B" and "C" respectively to this notice.

Holders of common shares of the Corporation are entitled to vote at the meeting either in person or by proxy. If you are unable to attend personally, please complete, date and sign the enclosed form of proxy and return it in the stamped envelope provided for that purpose to the Corporation or its transfer agent, Montreal Trust Company, not later than 24 hours prior to the time of the meeting.

A copy of the management information circular accompanies this notice.

By Order of the Board of Directors
JAMES T. MELVILLE
Secretary

MANAGEMENT INFORMATION CIRCULAR

THIS MANAGEMENT INFORMATION CIRCULAR (THE "CIRCULAR") IS FURNISHED IN CONNECTION WITH THE SOLICITATION OF PROXIES BY THE MANAGEMENT OF THE ALGOMA STEEL CORPORATION, LIMITED (THE "CORPORATION") FOR USE AT THE ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS OF THE CORPORATION TO BE HELD AT THE ALGOMA STEEL CLUB, 89 FOSTER DRIVE, SAULT STE. MARIE, ONTARIO ON TUESDAY, APRIL 17, 1984 AT THE HOUR OF 2:15 O'CLOCK IN THE AFTERNOON EASTERN STANDARD TIME AND AT ANY ADJOURNMENT OR ADJOURNMENTS THEREOF (SUCH ANNUAL AND SPECIAL MEETING AND ANY ADJOURNMENT OR ADJOURNMENTS THEREOF ARE REFERRED TO HEREIN AS THE "MEETING"). Solicitation of proxies will be primarily by mail. Proxies may also be solicited by employees of the Corporation by telephone. The cost of solicitation will be borne by the Corporation. If you are unable to attend personally, please complete, date and sign the accompanying form of proxy and return it in the stamped envelope provided for that purpose to the Corporation or its transfer agent, Montreal Trust Company, not later than 24 hours prior to the time of the Meeting.

The information in this Circular, except as otherwise specified, is given as of February 24th, 1984.

The annual report and consolidated financial statements of the Corporation for the year ended December 31, 1983 accompany this Circular.

VOTING SHARES AND PRINCIPAL HOLDERS OF VOTING SHARES

There were 14,167,941 common shares of the Corporation outstanding as of February 24th, 1984. Each common share entitles the holder to one vote. No other shares of the Corporation are entitled to vote at the Meeting.

The holders of common shares of record at the time of the Meeting will be entitled to vote at the Meeting.

To the knowledge of the directors and officers of the Corporation, Canadian Pacific Enterprises Limited, of Calgary, Alberta, a Canadian corporation, owns directly or indirectly, 8,664,846 common shares of the Corporation as of February 24th, 1984 representing approximately 61.16% of the common shares of the Corporation outstanding as of such date.

VOTING OF PROXIES

If the accompanying form of proxy is completed in favour of the persons named therein and returned in time for use at the Meeting, the common shares represented thereby will be voted, or withheld from voting, on any ballot that may be called for at the Meeting in accordance with the voting instructions of the shareholder.

IF NO CHOICE OR VOTING INSTRUCTION IS SPECIFIED WITH RESPECT TO ANY MATTER TO BE CONSIDERED AT THE MEETING AND IDENTIFIED IN THE ACCOMPANYING NOTICE OF MEETING, THE PERSONS NAMED IN THE ACCOMPANYING FORM OF PROXY WILL VOTE AS FOLLOWS IN RESPECT OF THE PARTICULAR MATTER:

1. IN FAVOUR OF APPROVING SPECIAL RESOLUTION NO. 9;
2. IN FAVOUR OF APPROVING SPECIAL RESOLUTION NO. 10;
3. IN FAVOUR OF CONFIRMING BY-LAW A;
4. FOR THE ELECTION OF DIRECTORS;
5. FOR THE APPOINTMENT OF AN AUDITOR AND AUTHORIZING THE DIRECTORS TO FIX THE AUDITOR'S REMUNERATION.

THE FORM OF PROXY ALSO CONFERS DISCRETIONARY VOTING AUTHORITY ON THE PERSONS DESIGNATED THEREIN WITH RESPECT TO AMENDMENTS OR

VARIATIONS WHICH MAY BE PROPOSED AT THE MEETING AND WHICH RELATE TO THE MATTERS IDENTIFIED IN THE ACCOMPANYING NOTICE OF MEETING AND WITH RESPECT TO OTHER MATTERS WHICH MAY PROPERLY BE BROUGHT BEFORE THE MEETING. MANAGEMENT CURRENTLY IS NOT AWARE OF ANY SUCH AMENDMENTS, VARIATIONS OR OTHER MATTERS. IF SUCH AMENDMENTS, VARIATIONS OR OTHER MATTERS ARE PROPERLY BROUGHT BEFORE THE MEETING, THE PERSONS DESIGNATED IN THE FORM OF PROXY WILL VOTE THE COMMON SHARES REPRESENTED THEREBY AT THEIR DISCRETION IN RESPECT OF SUCH AMENDMENTS, VARIATIONS OR OTHER MATTERS.

A SHAREHOLDER HAS THE RIGHT TO APPOINT AS HIS PROXYHOLDER A PERSON OTHER THAN THOSE DESIGNATED IN THE FORM OF PROXY. A shareholder may do so by inserting the name of such other person in the blank space provided and striking out the other names or by completing another proper form of proxy and, in either case, by delivering the completed form of proxy by postal or other delivery to the Secretary of the Corporation or to the Corporation's agent, Montreal Trust Company, not later than 24 hours prior to the time of the Meeting.

REVOCABILITY OF PROXY

A shareholder may revoke a proxy by an instrument in writing executed in the same manner as a proxy and deposited either with the Secretary of the Corporation at 503 Queen Street East, Sault Ste. Marie, Ontario, P6A 5P2 at any time up to and including the last business day preceding the day of the Meeting at which the proxy is to be used, or with the Chairman of the Meeting on the day of the Meeting, or in any other manner permitted by law.

MATTERS FOR CONSIDERATION AT THE MEETING

Special Resolutions and By-law

The Business Corporations Act, 1982 (Ontario) (the "Act") came into force on July 29, 1983 thereby replacing the Business Corporations Act (Ontario). Special Resolutions No. 9 and No. 10 and By-law A essentially conform the articles and by-laws of the Corporation to the requirements of the Act and provide for certain flexibility offered by the Act. To become effective, Special Resolutions No. 9 and No. 10 must be approved by at least two-thirds of the votes cast by the holders of common shares at the Meeting and By-law A must be approved by a majority of such votes.

Copies of Special Resolutions No. 9 and No. 10 and By-law A are set out as Schedules "A", "B" and "C", respectively, to the Notice of Meeting accompanying this Circular. The contents of the Special Resolutions and By-law are summarized below.

Special Resolution No. 9

Special Resolution No. 9 proposes to amend the articles of the Corporation in the following respects.

Corporation's Objects

The Act does not require that a corporation's articles set out its objects. It is proposed that the articles of the Corporation be amended by deleting the objects set out therein and providing that there shall be no restriction on the business that the Corporation may carry on or on the powers that the Corporation may exercise.

Acquisition of Shares

The Act provides that, subject to a solvency test and the articles of the corporation, a corporation may purchase or otherwise acquire any of its issued shares. It is therefore proposed that the provisions of the articles of the Corporation authorizing the purchase of its common shares be deleted.

Range of Directors

Management considers it advisable to take advantage of the flexibility offered by the Act in setting a range of the number of directors. Special Resolution No. 9 provides for a minimum of eight and a maximum of fifteen directors.

In order to provide maximum flexibility in respect of borrowings in jurisdictions other than Ontario, it is proposed that the articles of the Corporation expressly provide for borrowing powers contemplated by the Act.

Special Resolution No. 10

Special Resolution No. 10 of the Corporation designates that the initial number of directors of the Corporation will remain at its present level of twelve. It also empowers the directors of the Corporation to determine by resolution from time to time the number of directors of the Corporation and the number of directors to be elected at the annual meeting of the shareholders.

By-law A

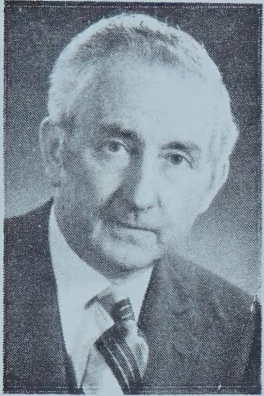
By-law A passed by the board of directors of the Corporation on March 7, 1984 relates to the conduct of the business and affairs of the Corporation and repeals the existing by-laws and special by-laws of the Corporation. By-law A essentially conforms the by-laws of the Corporation to the requirements of the Act.

Election of Directors

The board of directors of the Corporation consists of twelve directors elected annually to hold office until the next annual meeting of shareholders. It is proposed that the individuals identified below will be nominated at the Meeting. Stuart E. Eagles, who was appointed a director on August 3, 1983, is being nominated for election for the first time. If any of the proposed nominees are unable to serve, the person named in the proxy will use his best judgment in voting on alternate nominees.

The Corporation has an Audit Committee as required by the Act, an Executive Committee and a Compensation Committee.

The information as to securities beneficially owned by the nominees or over which the nominees have control or direction has been furnished by the respective nominees individually, as of February 24, 1984.



RUSSELL S. ALLISON

Executive Vice-President, CP Rail, a division of Canadian Pacific Limited (a transportation, natural resource development and manufacturing company). Mr. Allison, a resident of Westmount, Quebec, became a director of the Corporation on April 17, 1980. He is a director of Canadian Pacific Consulting Services Limited, CanPac Car Inc., Incan Ships Limited, The Toronto, Hamilton & Buffalo Railway Company, Sault Ste. Marie Bridge Co., Shawinigan Terminal Railway Company and the Toronto Terminals Railway Company.



ROBERT W. CAMPBELL

Vice-Chairman and Chief Executive Officer, Canadian Pacific Enterprises Limited (a natural resource development and manufacturing company). Mr. Campbell, a resident of Calgary, Alberta, became a director of the Corporation on April 20, 1982 and is a member of the Executive Committee. He is also Chairman of PanCanadian Petroleum Limited. He is a director of Canadian Pacific Enterprises Limited, Canadian Pacific Limited, PanCanadian Petroleum Limited, AMCA International Limited, Cominco Ltd. and other companies.

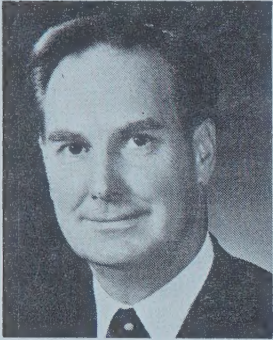
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STUART E. EAGLES

President, Canadian Pacific Enterprises Limited (a natural resource development and manufacturing company). Mr. Eagles, a resident of Calgary, Alberta, has held his present position since July 1, 1983; prior to that date he was Chairman and President of Marathon Realty Company Limited. Mr. Eagles was appointed a director of the Corporation on August 3, 1983. He is Chairman of Marathon Realty Company Limited and is a director of AMCA International Limited, Canadian Pacific Enterprises (U.S.) Inc., Canadian Pacific Securities Limited, CIP Inc., Cominco Ltd., Fording Coal Limited, Maple Leaf Mills Limited, Pacific Forest Products Limited, PanCanadian Petroleum Limited, MICC Investments Limited and other companies.

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JOHN MACNAMARA

Chairman and Chief Executive Officer, The Algoma Steel Corporation, Limited. Dr. Macnamara was appointed a director of the Corporation on December 3, 1975 and is a member of the Executive Committee. He is a resident of Sault Ste. Marie and is a director of AMCA International Limited, Canadian Pacific Enterprises Limited and Redpath Industries Ltd.

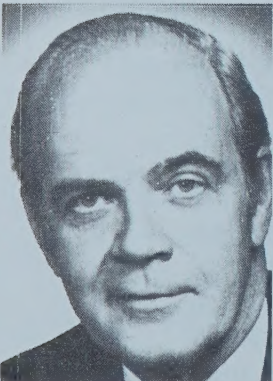
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W. EARLE McLAUGHLIN

Former Chairman, The Royal Bank of Canada. Mr. McLaughlin, a resident of Westmount, Quebec, joined the board of directors of the Corporation April 18, 1962 and is a member of the Executive and Audit Committees. He is also a director of General Motors Corporation, Nabisco Brands Inc., Canadian Pacific Limited, Metropolitan Life Insurance Co., Allied Canada Inc., Canadian Pacific Enterprises Limited, Genstar Corporation, The Royal Bank of Canada and other well known companies.

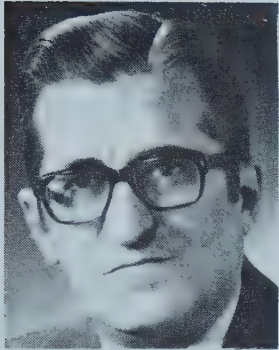
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ARTHUR H. MINGAY

Chairman of the Board and the Executive Committee, Canada Trust. A resident of Toronto, Mr. Mingay was elected a director of the Corporation on April 19, 1978. He is a member of the Compensation Committee. He is also a director of Canada Trustco Mortgage Company, The Canada Trust Company, The Mutual Life Assurance Company of Canada, Royal Insurance Company of Canada, Simpsons-Sears Limited, Simpsons-Sears Acceptance Corporation, T. I. Industries Limited, Inglis Limited and Loblaw Companies Limited.

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PAUL A. NEPVEU

Chairman, CIP Inc. (diversified pulp and paper company). Mr. Nepveu retired as Vice-Chairman of Canadian Pacific Enterprises Limited in April, 1981 and was elected Chairman of the Board, CIP Inc. in October, 1981. He became a director of the Corporation on November 6, 1973 and is a member of the Executive and Compensation Committees. A resident of Laval, Quebec, Mr. Nepveu is a director of Canadian Pacific Enterprises Limited, Cominco Ltd., CIP Inc. and other companies.

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PETER M. NIXON

President and Chief Operating Officer, The Algoma Steel Corporation, Limited. Mr. Nixon, a resident of Sault Ste. Marie, was elected a director of the Corporation on April 21, 1981 and is a member of the Executive Committee. He is also a director of AMCA International Limited, CIP Inc., Steep Rock Resources Inc. and Ingersoll-Rand Canada Inc.

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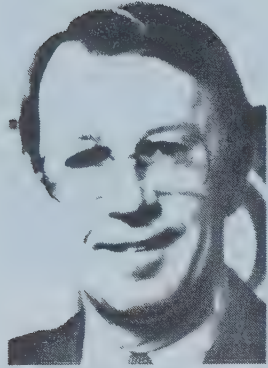


LEONARD N. SAVOIE

President and Chief Executive Officer, Algoma Central Railway (rail, truck and lake vessel transportation and real estate). Mr. Savoie became a director of the Corporation on March 2, 1971 and is a member of the Audit Committee. He is also a director of Algocen Realty Holdings Limited, Dominion of Canada General Insurance Company, Thibodeau-Finch Express Limited, Newaygo Forest Products Limited, Great Lakes Power Limited, E-L Financial Corporation Ltd., The Empire Life Insurance Company and Ontario Hydro. He is a resident of Sault Ste. Marie.

1,327

ROBERT J. THEIS



Chairman, Canadian Pacific Enterprises (U.S.) Inc. (management company). Mr. Theis, a resident of Fayetteville, New York, U.S.A., is a director of Canadian Pacific Enterprises (U.S.) Inc. He became a director of the Corporation on April 17, 1980 and is a member of the Compensation Committee. He is also a director of AMCA International Limited, AMCA International Corporation, Baker Commodities, CanPac AgriProducts, Ltd., Marathon (U.S.) Holdings, Inc., Processed Minerals, Inc., Syracuse China Corporation and Lincoln First Bank, Syracuse.

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WALTER G. WARD



Former Chairman, The Algoma Steel Corporation, Limited. Mr. Ward became a director of The Algoma Steel Corporation, Limited July 1, 1977 and is a member of the Executive and Audit Committees. He is also a director of Canadian Imperial Bank of Commerce, Canada Packers Ltd., Canadian General Electric Company Limited, Kawartha Broadcasting Company Limited and a number of other companies and associations.

ADAM H. ZIMMERMAN, F.C.A.



President, Chief Operating Officer and Director, Noranda Mines Limited. Mr. Zimmerman, a resident of Toronto, became a director of the Corporation on April 19, 1983. He is also an officer and director of many companies affiliated with Noranda. Mr. Zimmerman is a director of Canada Packers Inc., Royal Insurance Company of Canada, Southam Inc. and The Toronto-Dominion Bank. He is a trustee of the Hospital for Sick Children.

**REMUNERATION OF DIRECTORS AND SENIOR OFFICERS
FROM THE CORPORATION AND ITS WHOLLY-OWNED SUBSIDIARIES (1)**

		<u>For the Year Ended December 31, 1983</u>	<u>Future Years Accrued Cost In Respect of Extra Compensation Plan (2)</u>
		<u>Aggregate Remuneration</u>	<u>Cost of Pension Benefits</u>
A.	Directors (12)	\$ 116,225	NIL
B.	Five senior officers	\$ 759,296	\$136,598
C.	Officers receiving over \$50,000 (11) (including five senior officers)	\$1,195,445	\$217,058
			\$1,738,797

NOTES:

- (1) The Corporation's partially-owned subsidiaries pay no remuneration to these directors and officers.
- (2) Accrued as at December 31, 1983 in respect of the Corporation's Extra Compensation Plan which may become payable in the future on the retirement or termination of employment (other than for cause) or death during employment to certain officers of the Corporation.

APPOINTMENT OF AUDITOR

Peat, Marwick, Mitchell & Co. has been auditor of the Corporation since 1950. Proxy forms given pursuant to this solicitation will be voted for its appointment at a remuneration to be fixed by the board of directors.

APPROVAL BY BOARD OF DIRECTORS

The Board of Directors of the Corporation has approved the contents and the sending of this Circular to the shareholders of the Corporation.

Sault Ste. Marie, Ontario
February 24, 1984

**Schedule A to Notice
of Annual and Special Meeting of Shareholders
of
THE ALGOMA STEEL CORPORATION, LIMITED**

SPECIAL RESOLUTION NO. 9

RESOLVED as Special Resolution No. 9 of THE ALGOMA STEEL CORPORATION, LIMITED that:

1. The articles of incorporation of the Corporation be amended by:
 - (a) deleting therefrom all objects of the Corporation set out therein and providing that there are no restrictions on the business that the Corporation may carry on or on the powers that the Corporation may exercise;
 - (b) providing that the minimum number of directors of the Corporation shall be eight and the maximum number of directors of the Corporation shall be fifteen;
 - (c) deleting therefrom the following special provision:

“Subject to the provisions of the Business Corporations Act, the Corporation may purchase any of its issued common shares.”; and
 - (d) adding thereto the following special provision:

“In addition to and without limiting such other powers which the Corporation may by law possess, the directors of the Corporation may without authorization of the shareholders

 - (i) borrow money upon the credit of the Corporation;
 - (ii) issue, reissue, sell or pledge debt obligations of the Corporation;
 - (iii) subject to the Business Corporations Act, 1982 (or any other statutory provision of like or similar effect, from time to time in force), give a guarantee on behalf of the Corporation to secure performance of an obligation of any person; and
 - (iv) mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the Corporation, owned or subsequently acquired, to secure any obligation of the Corporation.”

2. The directors may revoke this special resolution without further approval of the shareholders at any time prior to the endorsement by the Director (appointed under Section 276 of the Business Corporations Act, 1982) of a certificate of amendment of articles in respect of the amendment provided for in this special resolution.

3. Any one of the Chairman and Chief Executive Officer, the President, a Vice-President, the Secretary or the Treasurer of the Corporation be and is hereby authorized to execute and deliver or cause to be executed and delivered, whether under corporate seal of the Corporation or otherwise, as may be necessary, all such instruments, documents, directions and writings and to perform and do all such other acts and things as he in his discretion may consider to be necessary or desirable for the purpose of giving effect to this resolution.

4. Upon articles of amendment having become effective in accordance with the provisions of the Business Corporations Act, 1982 the articles of incorporation of the Corporation are amended accordingly.

**Schedule B to Notice
of Annual and Special Meeting of Shareholders
of
THE ALGOMA STEEL CORPORATION, LIMITED**

SPECIAL RESOLUTION NO. 10

RESOLVED as Special Resolution No. 10 of THE ALGOMA STEEL CORPORATION, LIMITED that:

1. The number of directors of the Corporation within the minimum of eight and the maximum of fifteen set out in the articles of incorporation of the Corporation is hereby determined to be twelve until the directors of the Corporation shall determine otherwise.

2. The directors of the Corporation be and they are hereby empowered to determine from time to time the number of directors of the Corporation within the minimum and maximum numbers provided for in the articles of incorporation of the Corporation.

**Schedule C to Notice
of Annual and Special Meeting of Shareholders
of
THE ALGOMA STEEL CORPORATION, LIMITED**

BY-LAW A

A by-law relating generally to the business and affairs of

THE ALGOMA STEEL CORPORATION, LIMITED

BE IT ENACTED as a by-law of THE ALGOMA STEEL CORPORATION,
LIMITED (hereinafter referred to as the "Corporation") as follows:

SECTION ONE

INTERPRETATION

1.01 Definitions - In this by-law and all other by-laws of the Corporation,

"Act" means the Business Corporations Act, S.O. 1982, c. 4, and any statute that may be substituted therefor, as from time to time amended;

"board" means the board the directors of the Corporation;

"by-laws" means this by-law and all other by-laws of the Corporation from time to time in force and effect;

"meeting of shareholders" means an annual meeting of shareholders and a special meeting of shareholders and includes a meeting of any class or classes of shareholders;

"non-business day" means Saturday and Sunday;

"recorded address" means, in the case of a shareholder, his address as recorded in the register of shareholders and, in the case of a director, officer, auditor or member of a committee of the board, his address as recorded in the records of the Corporation;

"signing officer" means, in relation to any share certificate, any person authorized to sign the same on behalf of the Corporation by section 6.02 of this by-law or by a resolution passed pursuant thereto;

save as aforesaid, words and expressions defined in the Act have the same meanings when used herein; and

words importing the singular number include the plural and vice versa; words importing gender include masculine, feminine and neuter genders; and words importing persons include individuals, bodies corporate, governmental bodies, partnerships, trusts and unincorporated organizations.

SECTION TWO

BUSINESS OF THE CORPORATION

2.01 Registered Office - Until changed in accordance with the Act, the registered office of the Corporation shall be at the City of Sault Ste. Marie, in the District of Algoma, in the Province of Ontario and at such location therein as the board may from time to time determine.

2.02 Corporate Seal - The Corporation shall have a seal which shall be adopted and may from time to time be changed by the board.

2.03 Financial Year - The financial year of the Corporation shall end on the 31st day of December in each year or on such other date as the board may from time to time determine.

2.04 Execution of Instruments - Deeds, transfers, assignments, contracts, obligations, certificates and other instruments including instruments creating a security interest on behalf of the Corporation may be signed by any two of the chairman of the board, vice-chairman of the board, the president, a vice-president, a director or by any one of the foregoing together with any one of the secretary, the treasurer, the controller, an assistant secretary, and an assistant treasurer, and the corporate seal shall be affixed to such instruments as require the same, and all such instruments shall be binding on the Corporation without any further authorization or authority.

Notwithstanding any provision to the contrary contained in the by-laws of the Corporation, the board may at any time and from time to time direct the manner in which and the person or persons by whom any particular deed, transfer, assignment, contract, obligation, certificate or other instrument or any class of deeds, transfers, assignments, contracts, obligations, certificates or other instruments may or shall be signed.

2.05 Banking Arrangements - The banking business of the Corporation shall be transacted with such banks, trust companies or other bodies corporate or

organizations as may from time to time be designated by the board. Such banking business or any part thereof shall be transacted under such agreements, instructions and delegations of powers as the board may from time to time prescribe or authorize.

SECTION THREE

DIRECTORS

3.01 Qualification of Directors - No person shall be qualified for election or appointment as a director if he is of unsound mind and has been so found by a court in Canada or elsewhere, if he is incapable of managing his affairs, if he is not an individual, if he has the status of bankrupt or if he has not attained 18 years of age or has attained 70 years of age at the time of such election or appointment. A director need not be a shareholder.

3.02 Consent - No election or appointment of a person as a director shall be effective unless (a) he consents in writing to act as a director before his election or appointment or within 10 days thereafter, or (b) he was present at the meeting when he was elected or appointed and did not refuse at that meeting to act as a director.

3.03 Election and Term - The election of directors shall take place at each annual meeting of shareholders and all the directors then in office shall retire but, if qualified, shall be eligible for re-election. If an election of directors is not held within the time prescribed by the Act, the directors shall continue in office until their successors are elected.

3.04 Place of Meeting - Meetings of the board may be held at any place within or outside of Ontario and in any financial year a majority of the meetings of the board need not be held at a place within Canada.

3.05 Calling of Meetings - Meetings of the board shall be held from time to time at such place, at such time and on such day as the chairman, the vice-chairman, the president, a vice-president who is a director or a quorum of the board may determine, and the secretary shall call meetings when directed or authorized by the chairman, the vice-chairman, the president or by a vice-president who is a director or by a quorum of the board. Notice of every meeting so called shall be given to each director not less than seven days before the day on which the meeting is to be held, save that no notice of a meeting shall be necessary if all the directors are present or if those absent have waived notice of or otherwise signified their consent to the holding of such meeting.

3.06 Regular Meetings - The board may appoint a day or days in any month or months for regular meetings at a place and hour to be named. A copy of any resolution of the board fixing the place and time of regular meetings of the board shall be sent to each director forthwith after being passed, but no other notice shall be required for any such regular meeting.

3.07 First Meeting of New Board - Each newly elected board may without notice hold its first meeting immediately following the meeting of shareholders at which such board was elected, provided a quorum of directors be present.

3.08 Chairman - The chairman of the board, or in his absence the vice-chairman of the board, or in his absence the president, or in his absence a vice-president who is a director, shall be chairman of any meeting of the board. If no such officer is present, the directors present shall choose one of their number to be chairman.

3.09 Votes to Govern - At all meetings of the board every question shall be decided by a majority of the votes cast on the question. In case of an equality of votes the chairman of the meeting shall be entitled to a second or casting vote.

3.10 Quorum - A quorum for the transaction of business at any meeting of the board shall consist of one-half of the number of directors as determined from time to time in accordance with the Act.

SECTION FOUR

COMMITTEES

4.01 Executive Committee - The directors may appoint from among their number an executive committee consisting of not less than three directors and may, subject to the Act, delegate to such executive committee any powers of the board. The members of the executive committee shall elect a chairman from among their number.

The executive committee may fix its quorum which may not be less than a majority of its members. No business shall be transacted by the executive committee except at a meeting of its members at which a quorum of the executive committee is present and at which a majority of the members present are resident Canadians.

Full minutes of all business transacted at every meeting of the executive committee shall be kept in a proper minute book provided for that purpose.

All acts and proceedings of the executive committee shall be subject to review at any meeting of the board, but nothing herein contained shall enable the board as against a third party to invalidate anything already done in pursuance of a resolution validly passed by the executive committee.

4.02 **Audit Committee** - At the first meeting of the board after each election of directors at an annual meeting the directors shall appoint from among their number an audit committee to be composed of not fewer than three directors, of whom a majority shall not be officers or employees of the Corporation or an affiliate of the Corporation, to hold office until the next annual meeting of the shareholders. The members of the audit committee shall elect a chairman from among their number. The audit committee shall perform the functions required of it pursuant to the Act and such other functions as may from time to time be assigned to it by the board.

4.03 **Other Committees** - The board may also appoint such other committees as it may determine and delegate to such committees such duties as may lawfully be delegated by the board.

SECTION FIVE

OFFICERS

5.01 **Appointment** - The directors may from time to time appoint a chairman of the board, a vice-chairman of the board, a president, one or more vice-presidents, a secretary, a treasurer, a controller and such other officers as the board may determine. One person may hold more than one office. The chairman of the board, vice-chairman of the board and president shall be members of the board. All others officers may but need not be members of the board.

5.02 **Term of Office and Remuneration** - If the chairman of the board, vice-chairman of the board or the president ceases to be a director, his term of office shall expire. The term of office of other officers shall not expire by reason only of the election of a new board and failure to re-appoint such officers. In the absence of written agreement to the contrary, the board may remove at its pleasure any officer of the Corporation. The terms of employment and remuneration of officers appointed by it shall be settled from time to time by the board.

5.03 **Chairman of the Board** - The chairman of the board shall preside at all meetings of the board and he shall have such other powers and duties as may be assigned to him by the board from time to time. If the chairman of the board has been designated as chief executive officer, he shall have the powers and responsibilities and perform the duties herein prescribed for the chief executive officer.

5.04 **Vice-Chairman of the Board** - The vice-chairman of the board shall, when present and in the absence of the chairman of the board, preside at all meetings of the board and in the absence of the chairman of the board and the president shall preside at all meetings of the shareholders. He shall have such other powers and duties as the board may from time to time assign to him.

5.05 President - The president shall in the absence of the chairman and the vice-chairman of the board, preside at all meetings of the board and shall perform such other duties as may be assigned to him by the board from time to time. If the president has been designated as chief executive officer, he shall have the powers and responsibilities and perform the duties herein prescribed for the chief executive officer.

5.06 Chief Executive Officer - The board shall designate either the chairman of the board or the president to be the chief executive officer of the Corporation, who as such, shall be an officer of the Corporation and shall, in conformity with the directions of the board, exercise general control of and supervision over all the Corporation's affairs, its officers and employees and cause the business of the Corporation to be carried on. The chief executive officer shall preside at all meetings of the shareholders and in the absence of the chief executive officer then whomever of the chairman of the board or the president is not the chief executive officer shall preside at meetings of the shareholders.

5.07 Vice-Presidents - The vice-presidents shall have such powers and perform such duties as are assigned to them from time to time by the board or by the chief executive officer or by the president if the board has not designated a chief executive officer of the Corporation.

5.08 Secretary - The secretary shall give, or cause to be given, all notices required to be given to shareholders, directors, auditors and members of committees; shall attend all meetings of the directors, of the executive committee and of the shareholders and shall enter or cause to be entered in books, kept for that purpose, minutes of all proceedings at such meetings; shall be the custodian of the stamp or mechanical device generally used for affixing the corporate seal of the Corporation and of all books, papers, records, documents and other instruments pertaining to the office of secretary; and shall perform such other duties as may from time to time be prescribed by the board or by the chief executive officer or by the president if the board has not designated a chief executive officer of the Corporation.

5.09 Other Officers - The duties of all other officers of the Corporation shall be such as the terms of their engagement call for or the board or the chief executive officer requires of them. Any of the powers and duties of an officer to whom an assistant has been appointed may be exercised and performed by such assistant, unless the board or the chief executive officer or the president if the board has not designated a chief executive officer of the Corporation, otherwise directs.

5.10 Agents and Attorneys - The board shall have power from time to time to appoint agents or attorneys for the Corporation in or out of Ontario with such powers as the board or the chief executive officer or the president if the board has not designated a chief executive officer of the Corporation, prescribes.

SECTION SIX

SHARES AND SHAREHOLDERS

6.01 Issue - The directors may issue shares or grant options or rights to purchase shares at such times and to such persons and for such consideration as the board may determine.

6.02 Share Certificates - Every shareholder shall be entitled to a share certificate stating the number and class of shares held by him as shown by the books of the Corporation. Share certificates shall be in such form or forms as the board shall from time to time approve. Unless otherwise ordered by the board, they shall be signed by the chairman of the board or by the president or a vice-president and by the secretary or an assistant secretary and need not be under the corporate seal; provided that certificates representing shares in respect of which a transfer agent and registrar (which term shall include a branch transfer agent and registrar) have been appointed shall not be valid unless countersigned by or on behalf of such transfer agent and registrar. The corporate seal of the Corporation and the signature of one of the signing officers, or in the case of share certificates representing shares in respect of which a transfer agent and registrar have been appointed, the signatures of both signing officers, may be printed, engraved, lithographed, or otherwise mechanically reproduced in facsimile upon share certificates and every such facsimile signature shall for all purposes be deemed to be the signature of the signing officer whose signature it reproduces and shall be binding upon the Corporation. Share certificates executed as aforesaid, shall be valid notwithstanding that one or both of the signing officers whose signature (whether manual or facsimile) appears thereon no longer holds office at the date of issue or delivery of the certificate.

6.03 Transfer Agent and Registrar - The board may from time to time appoint or remove a transfer agent and a registrar (who may but need not be the same individual or company) and one or more branch transfer agents and registrars (who may, but need not be the same individual or company) for the shares in the capital of the Corporation and may provide for the transfer of shares in one or more places and may provide that shares will be interchangeably transferable or otherwise.

6.04 Transfer of Shares - Shares in the capital of the Corporation shall be transferable on the register of transfers or on one of the branch registers of transfers (if any) kept by or for the Corporation in respect thereof, by the registered holder of such shares in person or by attorney duly authorized in writing upon surrender of the certificate representing such shares properly endorsed or accompanied by a properly executed transfer, subject to the provisions of the Act.

6.05 Joint Shareholders - If two or more persons are registered as joint holders of any share, any one of such persons may give effectual receipts for the certificate issued in respect thereof and for any dividend, bonus, return of capital or other money payable or warrant or right issuable in respect of such share.

6.06 Non-recognition of Trust - The Corporation shall be entitled to treat the registered holder of any share as the absolute owner thereof and accordingly shall not, except as ordered by a court of competent jurisdiction or as required by statute, be bound to see to the execution of any trust, whether express, implied or constructive in respect of any share or to recognize any such claim to or interest in such share on the part of any person other than the registered holder thereof.

6.07 Deceased Shareholders - In the event of the death of a holder, or of one of the joint holders, of any share, the Corporation shall not be required to make any entry in the register of shareholders in respect thereof or to make payment of any dividends thereon, except upon production of all such documents as may be required by law and upon compliance with the reasonable requirements of the Corporation and its transfer agent.

6.08 Lien on Share - The Corporation shall be entitled to a lien on a share registered in the name of a shareholder or a legal representative for a debt of that shareholder to the Corporation.

SECTION SEVEN

DIVIDENDS

7.01 Dividends - The board may from time to time declare dividends payable to the shareholders on the issued shares of the Corporation. A dividend payable in cash shall be paid by cheque drawn on the Corporation's bankers or one of them to the order of each registered holder of shares of the class in respect of which it has been declared and mailed by ordinary mail, postage prepaid, to such registered holder at his recorded address. In the case of joint holders the cheque shall, unless such joint holders otherwise direct, be made payable to the order of all of such joint holders and

if more than one address appears on the books of the Corporation in respect of such joint holding, the cheque shall be mailed to the first address so appearing. The mailing of such cheque as aforesaid shall satisfy and discharge all liability for the dividend to the extent of the sum represented thereby, unless such cheque be not paid on due presentation. In the event of non-receipt of any cheque for a dividend by the person to whom it is so sent as aforesaid, the Corporation on proof of such non-receipt and upon satisfactory indemnity being given to it, shall issue to such person a replacement cheque for a like amount.

Notwithstanding the foregoing provision of this section 7.01, the board may at any time and from time to time determine dividend rights and provisions in respect of any class or series of shares in the capital of the Corporation.

SECTION EIGHT

MEETINGS OF SHAREHOLDERS

8.01 Annual Meeting - The annual meeting of the shareholders shall be held at such place within Ontario, at such time and on such day in each year as the board may from time to time determine, for the purpose of hearing and receiving the reports and statements required by the Act to be read or laid before the shareholders at an annual meeting, electing directors, appointing the auditor and fixing or authorizing the board to fix its remuneration and for the transaction of such other business as may properly be brought before the meeting.

8.02 Special Meeting - The directors may at any time call a special meeting of the shareholders for the transaction of any business, the general nature of which is specified in the notice calling the meeting. A special meeting may be held on such day and at such time and in such place within Ontario as may be determined by the board.

8.03 Persons Entitled to be Present - The only persons entitled to attend a meeting of shareholders shall be those entitled to vote thereat, the directors and the auditor of the Corporation and others who, although not entitled to vote, are entitled or required under any provision of the Act or the articles or by-laws to be present at the meeting. Any other person may be admitted only on the invitation of the chairman of the meeting or with the unanimous consent of the meeting.

8.04 Quorum - A quorum for the transaction of business at any meeting of shareholders shall be five persons present in person, each being a shareholder entitled to vote thereat or a duly appointed proxy for an absent shareholder so entitled.

8.05 Personal Representative - Where a person holds shares as a personal representative, that person or his proxy is the person entitled to vote at all meetings of shareholders in respect of the shares so held by him. If the shares are held by more than one personal representative, the provisions of the Act as to joint shareholders shall apply.

8.06 Mortgage etc. - Where a person mortgages or hypothecates his shares, that person or his proxy is the person entitled to vote at all meetings of shareholders in respect of such shares unless, in the instrument creating the mortgage or hypothec, he has expressly empowered the person holding the mortgage or hypothec to vote in respect of such shares, in which case, subject to the articles and the Act, such holder or his proxy is the person entitled to vote in respect of the shares.

8.07 Proxies - Every shareholder entitled to vote at a meeting of shareholders may appoint a person, who need not be a shareholder, as his proxy to attend and act for him at the meeting in the manner, to the extent and with the power conferred by the instrument appointing him. An instrument appointing a proxy shall be in writing executed by or on behalf of the appointor and shall conform with the requirements of the Act.

8.08 Time for Deposit of Proxies - The board may fix in advance a time, preceding the time of any meeting or adjourned meeting of shareholders by not more than forty-eight hours, excluding non-business days, before which time instruments appointing proxies must be deposited with the Corporation or an agent thereof specified in the notice calling the meeting or in the information circular relating thereto. An instrument appointing a proxy shall be acted upon only if, prior to the time so fixed and specified in the notice calling the meeting or in the information circular relating thereto, it shall have been deposited with the Corporation or an agent thereof specified in such notice or information circular or, if no such time is specified in such notice or information circular, unless it has been received by the secretary of the Corporation or by the chairman of the meeting or any adjournment thereof prior to the time of voting.

8.09 Votes to Govern - At any meeting of shareholders every question shall, unless otherwise required by the Act, the articles, the by-laws or by law, be determined by the majority of the votes cast on the question. In case of an equality of votes either upon a show of hands or upon a ballot, the chairman of the meeting shall be entitled to a second or casting vote.

8.10 Show of Hands - At all meetings of shareholders every question shall be decided by a show of hands unless a ballot be required by the Act or by the chairman

or be demanded by any shareholder present in person or represented by proxy and entitled to vote. Upon a show of hands every shareholder present in person or represented by proxy and entitled to vote, shall have one vote. After a show of hands has been taken upon any question the chairman may require or any shareholder present in person or represented by proxy and entitled to vote may demand a ballot thereon. Whenever a vote by show of hands shall have been taken upon a question, unless a ballot thereon be so required or demanded, a declaration by the chairman of the meeting that the vote upon the question has been carried or carried by a particular majority or not carried and an entry to that effect in the minutes of the proceedings at the meeting shall be prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favour or against any resolution or other proceeding in respect of the said question, and the result of the vote so taken shall be the decision of the Corporation in annual or special meeting, as the case may be, upon the question. A demand for a ballot may be withdrawn at any time prior to the taking of the ballot.

8.11 Ballot - If a ballot be required by the Act or by the chairman of the meeting or be duly demanded by any shareholder and the demand be not withdrawn, a ballot upon the question shall be taken in such manner as the chairman of the meeting shall direct. Upon a ballot each shareholder who is present in person or represented by proxy shall be entitled to one vote for each share in respect of which he is entitled to vote at the meeting and the result of the ballot shall be the decision of the Corporation in annual or special meeting, as the case may be, upon the question.

8.12 Scrutineers - At each meeting of shareholders one or more scrutineers may be appointed by the chairman to serve at the meeting. Such scrutineers need not be shareholders of the Corporation.

8.13 Adjournment - The chairman at a meeting of shareholders may adjourn the meeting from time to time and from place to place.

SECTION NINE

NOTICES

9.01 Notice to Joint Shareholders - If two or more persons are registered as joint holders of any share, notice (which term includes any communication or document) to one of such persons shall be sufficient notice to all of them. Any notice shall be addressed to all of such joint holders and the address to be used shall be the address appearing on the register of shareholders in respect of such joint holding or the first address so appearing if there are more than one.

9.02 Omissions and Errors - The accidental omission to give any notice to any shareholder, director, officer, auditor or member of a committee of the board, or the non-receipt of any notice by any such person or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

9.03 Persons Entitled by Death or Operation of Law - Every person who, by operation of law, transfer, death of a shareholder or any other means whatsoever, shall become entitled to any share shall be bound by every notice in respect of such share which shall have been duly given to a person from whom he derives his title to such share previously to his name and address being entered on the register of shareholders, whether such notice was given before or after the happening of the event upon which he became so entitled.

9.04 Waiver of Notice - Any shareholder (or his duly appointed proxy), director, officer, auditor or member of a committee of the board may waive any notice required to be given to him under any provision of the Act, the articles, the by-laws or otherwise and such waiver, whether given before or after the meeting or other event of which notice is required to be given, shall cure any default in giving such notice.

SECTION TEN

REPEAL OF EXISTING BY-LAWS

10.01 Effective Date - This by-law shall come into force when confirmed by the shareholders in accordance with the Act.

10.02 Repeal - By-laws 1, 3, 4 and 7 and special by-laws 2, 5 and 6 of the Corporation are repealed upon the coming into force of this by-law but such repeal shall not affect the previous operation of any such by-law or special by-law. All officers and other persons acting under any such by-law or special by-law so repealed shall continue to act as if appointed under this by-law and all resolutions with continuing effect passed under any such by-law or special by-law so repealed shall continue in force until amended or repealed except to the extent inconsistent with this by-law.

THE ALGOMA STEEL CORPORATION, LIMITED

ALGOMA STEEL

Annual Meeting of Shareholders

April 17, 1984

Address

by

John Macnamara

Chairman and Chief Executive Officer

and

Peter M. Nixon

President and Chief Operating Officer

ANNUAL MEETING ADDRESS

In concluding my remarks at last year's annual shareholders' meeting I stated that:

"We still have severely depressed market conditions to overcome during the balance of this year as we do not expect to see substantial improvement in demand until 1984."

Not only did overall steel demand remain weak, except for hot and cold rolled sheets, but the average sales return for Algoma's major products was lower than in 1981 because of substantial price discounting in the marketplace and the sale of semi-finished steel. Despite cost reductions and productivity gains our 1983 net loss was 127 million dollars including a 20 million dollar loss in equity earnings from AMCA.

I can assure that we are striving in every possible way to improve the Corporation's earnings and financial position. We are beginning to see some benefits from changes made during the last two years and we are confident of further progress in 1984.

Before Peter Nixon reviews with you the course of action we are following, I would like to comment on three interrelated subjects which I believe will strongly influence Algoma's recovery.

First I would like to deal with the structural changes which are ongoing throughout the steel world. At our 1978 annual meeting I remarked that:

"There is every indication of a major upheaval presently taking place within the steel industry."

That observation did not apply to what was happening in Canada or at Algoma because the Canadian steel industry was entering a period of unprecedented growth and Algoma was heading toward record earnings and a return on investment second to none among the world's integrated steel companies. Canada's integrated mills were comparatively modern, low cost producers and we were proud of the fact that our customers could purchase steel from domestic sources at lower prices than were available anywhere else.

There was however a dramatic transition taking place worldwide, including the United States. Raw steel production was declining in the industrialized countries and only in the developing countries such as Brazil, South Korea, Mexico and in the Communist dominated countries were modern, integrated steel plants under construction. The only noteworthy exception was Stelco's new greenfield site at Nanticoke.

From a record 510 million net tons of raw steel produced in 1974, production in the industrialized countries declined to 377 million in 1983. While world steel production declined from 775 million to 730 million tons the developing and Comecon countries increased production by 89 million tons during this ten-year period.

Steel has become an international commodity with exports comprising more than one quarter of the world's total production. Old, inefficient, high cost facilities cannot compete and are being permanently closed. Major producers are participating in mergers or diversifying into nonsteel businesses. Effective production capacity is forecast to continue to decline in the industrialized countries during the balance of this decade.

At current operating rates there is an excess of 150 million tons of unused raw steel capability throughout the world including 25 million in the United States and 4 million in Canada.

The need to generate profits is ignored by government-owned or subsidized steel companies in order to maintain employment and generate foreign currency. With the added advantage of cheap labour and world class technology, countries like Brazil and South Korea will continue to flood the North American market with low priced, high quality imports particularly in periods of reduced world steel demand. We must develop a strategy which will enable Algoma to meet this challenge and remain profitable during cyclical downturns in steel demand.

The second topic I would like to discuss is the havoc which low priced foreign steel is creating in North America. During the past thirty years the U.S. steel industry has lost its leadership in steel production and is now the world's largest steel

importing country. U.S. raw steel production declined from a record high of 151 million tons in 1973 to 83 million in 1983, well below the current capability of 135 million tons. In Canada, only 14 million tons of its 21 million tons of capability was utilized last year.

The U.S. steel industry has been frustrated by its inability to compete with the volume and price of imports from offshore countries. Total imports currently account for 26 percent of U.S. consumption much of which is subsidized or imported at dumped prices. The United States has imposed voluntary restraints on Japan to reduce its exports to approximately one quarter of U.S. total imports and has negotiated an agreement with the E.E.C. which has had some measure of success in reducing exports from European countries but not to the desired levels.

Canadian steel producers have been partially successful in restricting dumped and subsidized imports from entering Canada through enforcement of fair trade laws. The U.S. steel companies have not, and have now initiated other actions in an attempt to restrict imports.

The American Iron and Steel Institute has sponsored the Fair Trade in Steel Act 1984 which would establish quotas to restrict total steel imports from all countries to 15 percent of U.S. consumption for a period of not less than five and not more than eight years. In addition, Bethlehem Steel Corporation and the United Steelworkers of America have jointly filed a petition with the International Trade Commission under Section 201, the escape clause, in the 1974 Trade Act. The thrust of this petition is the same as the Fair Trade in Steel Act. Unfortunately Canada risks being caught in this protectionist net and treated the same as the offshore countries which have dumped huge tonnages of steel in all product categories into the North American market.

If either of these protectionist measures were to come to fruition Canadian steel trade with the United States could be significantly reduced. The Canadian steel industry has joined together to convince U.S. government officials and other interested parties that Canadian steel exports have not disrupted the U.S. market. We believe Canada deserves special consideration to avoid being treated in the same manner as offshore exporting countries. To achieve that goal we have encouraged our government to seek

a liberalized steel trade agreement with the United States.

Maintaining unrestricted access to the U.S. market is of critical importance to the Canadian steel industry. Historically the majority of Canadian steel exports has gone to the United States and the United States has been Canada's principal source of steel imports. This reciprocal trade in steel has been conducted in compliance with each other's fair trade laws. It has been acknowledged by U.S. elected officials and senior executives in the U.S. steel industry that Canadian steel is not the problem. The quota actions are directed principally at the developing countries such as Brazil and South Korea.

Algoma's future is tied very closely with its ability to continue to sell rolled steel products into a healthy U.S. market. Over many years we have developed major accounts in the United States which look upon us as a domestic supplier. However, low priced imports, heavy discounting by U.S. domestic mills, a significant reduction in U.S. steelworker labour costs, improved U.S. productivity, relocation of secondary manufacturing facilities to lower labour cost areas both within and outside the United States, "Buy American" restrictions and world sourcing of steel components have adversely affected Algoma's position in U.S. markets.

In their struggle to survive, North American steel consumers have steadily increased their demands for quality products competitively priced and delivered in such a manner as to maintain minimum inventories directly ahead of production units. Just in time delivery is the order of the day. Algoma has responded vigorously to these challenges and while we remain price, delivery and quality competitive, there is a new challenge emerging that places greater emphasis on product quality than our generation of steelmakers has ever experienced.

This lust for quality is the last of the three topics I wish to address. Excess steel capacity and technological change is dictating the need for industrialized countries to direct capital expenditures and management concentration toward the equipment, systems, processes, procedures and employee attitudes required to improve product quality. In so doing we will reduce waste, upgrade employee satisfaction, increase productivity, reduce costs, increase market share and ultimately, enhance profitability.

The huge losses suffered by major North American automobile producers in prior years initiated the introduction of Japanese technology into car manufacturing. Steel suppliers have been obliged to meet new standards of delivery reliability and guaranteed physical and dimensional properties, all of course at competitive world prices. Traditional North American quality standards are no longer tolerated - not only in the automotive industry but in many other steel consuming industries using Algoma's products.

This quantum jump in quality requires large capital investment and a dedicated change in operating philosophy by management and the entire work force. Quality improvement must begin at the raw material stage and carry on through each step in the steelmaking and rolling mill process until the product is delivered to the customer. Methods and procedures ensuring statistical control of quality must become a way of life at Algoma if we are to keep abreast with consumer demands for quality products at competitive prices. We have embarked on a quality assurance program to achieve these goals.

Millions of tons of old and inefficient North American steelmaking and rolling mill capacity have been permanently shut down because of an inability to meet today's standards of quality and production costs. Algoma's decision to build modern coke ovens and computer-controlled ironmaking, steelmaking, continuous casting and rolling mill facilities was partially justified on the basis of improved product quality, higher productivity and cost reduction. As research and development lead to technological change we will have to install additional new equipment in order to maintain our position. The only alternative is to elect to abandon specific product lines where we are unable to compete, as we did with narrow strip, light structurals, grinding balls and merchant pig iron.

The decision to construct a new world class seamless tube mill was undertaken not only to enable Algoma to increase capacity and market share but to remain quality and cost competitive with new facilities which are now operating in Japan, Germany, Mexico and the United States. We believe that oil and gas will continue to provide the world's primary source of energy and to remain a preferred seamless tubular supplier we must complete the new mill as soon as warranted by market conditions.

Algoma's dedication to improving product quality should not be interpreted to mean that we have not given serious consideration to quality in the past. Algoma has always been recognized as a quality producer and has shared in advancing world steelmaking and rolling mill technology. But we are now at a stage where once again we must update facilities, install new equipment and adopt new technology and manufacturing methods which will enable Algoma to maintain its position among the world's premium steel producers.

I would ask Peter Nixon to now address the meeting and indicate how we intend to meet these challenges.

1982 and 1983 were difficult and disappointing years. We know that the serious losses experienced by Algoma cannot continue. We must assure that programs underway or contemplated return the Corporation to profitability and provide protection against future downturns.

Before discussing these programs I would like to take a moment and review where we have been as a company.

Up to 1981 we had a good track record. Sales grew over a thirty-year period at a compound annual rate of 9 percent per annum. Our earnings showed steady improvement other than for the cyclical downturns which have been a pattern in our industry. Our results were respectable when viewed against Canadian competitors or against the best U.S. performer over the comparison period. We generated large amounts of cash which we put back into our business to increase capacity and maintain modern facilities.

Our improving performance culminated in record 1981 earnings and it was from the peak of that outstanding performance that we fell to the depths of 1982 and 1983. The reasons for our downfall are known to all of you.

The North American and world recession was of a magnitude that dwarfed any prior recession in our business memory. It was not particular to steel but touched almost every sector of the economy. But its impact on oil and gas drilling and capital spending was particular to Algoma and our direct ties with those sectors caused us to be pulled down by their devastating collapse.

The problem was compounded by excess customer inventory, particularly in tubular products, and by increasing imports of low priced offshore steel which came into North America from desperate producers all over the world. The strengthening Canadian and U.S. dollars gave these offshore suppliers a steadily improving edge in our marketplace.

The result was an unprecedented drop in order receipts and order backlog. Translation of this business decline to the bottom line was inevitable although the size of the losses was greater than anyone could have anticipated.

It took time to comprehend the magnitude of the business decline but we did come to grips with it and we have made progress. Throughout the Corporation we see evidence of improvement in almost every area.

Beginning with the coal mines we have substantially improved productivity and our current metallurgical coal production costs show a 10 - 15 percent reduction from 1978 after absorbing all the intervening inflation. Our Cannelton mines are also producing steam coal for sale to utility customers and we believe this business will expand and increase its profit contribution.

In iron ore, both Tilden and Algoma Ore Division have shown productivity gains and cost reductions. The Tilden results show steady progress and there is more to be achieved. The Ore Division cost trend demonstrates determined effort to compete in an oversupplied iron ore market.

Emphasis on raw material quality has maintained Algoma's coke quality as good as any in North America. An achievement in iron production has been the recent success in exceeding designed production rates on No. 7 blast furnace - for the first time.

In steelmaking, we have achieved higher scrap utilization and gained benefits from consuming metallic units that would have otherwise been sold at depressed prices. We have increased continuous caster production rates and we have reduced raw steel costs. A comparison with 1982 shows the progress in cost reduction through 1983. The first quarter 1984 cost increase reflects winter operating problems but a return to the downward trend is expected.

We have made good progress in developing unique patented technology for production of superior heat treated rails at projected favourable costs. Rails for intrack trials are being produced this month and if successful Algoma will have achieved a technological breakthrough - although still with only 39' rails rather than the 78' rails we believe will ultimately be required by railway customers.

Progress in the flat rolled area includes reduced secondary product generation and the beginning of an aggressive program to get full productivity and quality benefits from the 50 million dollar investment in a new slab reheat furnace and the 106" mill coil box. We are also seeing improved pickler productivity.

Tubular products used in North American oil and gas drilling are under great customer pressure for more demanding specifications and quality assurance. Progress has been made through improved inspection and better control but more remains to be done. New threading equipment to be installed this year at both the Canadian and U.S. operations will substantially improve thread quality and threading productivity.

Parallel to these improvement activities we have maintained tight control on spending and on cash. Our work force remains at one-third less than the previous high despite our increasing production levels. Our present inventory levels are 8 - 10 percent lower than at the same time in 1983 despite a 65 percent increase in sales.

Cash control and the 95 million dollar preferred share issue in late 1983 have kept credit line utilization at manageable levels and unused lines presently total over 350 million dollars.

With all of these actions an obvious question is "Why are our results not better?" Why are we still showing a loss on earnings from operations; which we define as after administrative, selling, depreciation and amortization but before financial expense? Why are our gross earnings (sales return less cost of sales) not showing more positive results even though the improvement trend is apparent?

The answer begins with a look at inflation in cost elements versus changes in sales dollars per ton of raw steel produced. Since 1980 our steel sales dollars per raw steel ton are unchanged while a weighted average of our cost inputs has increased

28 percent. This discrepancy has not only used up the 1983 operating cost savings of 6 million dollars per month as compared with 1982, but increased our 1983 loss.

Looking at total steel products for 1983 versus the average for 1979-81 we see volume down 30 percent, unit sales return (in constant 1983 dollars) down 25 percent and unit costs unchanged. The price decrease and the unchanged costs are both strongly influenced by the high tonnage of semi-finished slabs sold in 1983 but the comparison is still valid in respect to its impact on earnings.

The same 1983 versus 1979-81 comparison for tubular products shows volume down 58 percent, unit sales return down 36 percent and unit costs up 21 percent. Tubulars hurt Algoma more than any other product and only now are we beginning to see some recovery in volume and prices.

Part of the answer to this selling price catastrophe is unfavourable product mix, both in tubulars and in total steel products. But the fact remains that with today's decreased sales returns, particularly for many of our products, we cannot absorb increases in unit cost inputs, even with our productivity gains and cost reductions.

It is true now and it has always been true that the only real source of money for Algoma or any other manufacturing company is the price customers pay for the manufactured products - steel in our case. If that price decreases then costs must decrease - there is no other answer.

Our customers are telling us that they are only interested in low cost suppliers. Just last week a major customer told us that reductions in steel prices are required in the next three to five years. We were also told to expect increased customer involvement in reviewing and auditing our cost reduction programs and in following the implementation of our planned statistical process control program. No one is going to look at Sault Ste. Marie for his steel supply unless we offer superior quality, service and price. That's the steel world of 1984.

We must change and we are changing. We can and will do more with what we have; but just squeezing will not get us true low cost performance. Our plant is too complex to react quickly or easily to

major business declines. To protect ourselves against future downturns we must become more streamlined and more flexible in our operations.

We need more continuous casting and we need more sophistication and adaptability in our steelmaking operations. We need lower cost semi-finished steel and we need increased productivity, better output and improved process control throughout our rolling mill operations. We need even better quality and we need the kind of customer service that will always make Algoma the preferred supplier.

We have plans for the changes required to meet these objectives. We also have a new computer-based evaluation program that will allow us to look at each planning alternative and determine its impact on bottom line results. We know we are going to have to spend more money; not only to complete the seamless tube mill but to provide improved steelmaking technology, more continuous casting and the other facilities that will be necessary. We cannot afford mistakes in either the timing of our expenditures or the selection of projects to which money is to be allocated. We have to do it right.

We also need the individual will and determination to achieve a true low cost capability. Not only at my level or John's but in every person who dons an Algoma hat or collects an Algoma pay cheque. The challenge is for all Algoma people, whether management or union. There is no one who cannot contribute. There is no one who cannot do a better job. There is no one whose future security does not depend on how good a job we do.

Communication is difficult at any time; and particularly during times of adversity. But we must continue to communicate through every available medium until all of our people understand the challenge that faces Algoma. We need the help and understanding of our employee team to truly succeed. And as a company I believe we also have an obligation to support the efforts of others to broaden the employment base in Sault Ste. Marie and area so that those who cannot work for Algoma can find work elsewhere.

We have started down the road to recovery. We have made progress and we are developing a strategy that will guide us in the months and years

ahead. With effort and dedication our people have accomplished a great deal; but we must do more - much more.

I started by reminding you of the successful company we were. We have been through some difficult times and it has been tough on our people. It may be even tougher before we're through. But working together we can and will again take pride in the continuing success of our company - Algoma Steel.

Thank you, Peter, for illustrating what has been accomplished amid the disastrous recession of the past two years. I have noted recently that the local media appears to be headlining the good news, perhaps to reassure the community that the steel recession is over. Well we have improved, and I have stated that I believe the worst is behind us, but there can be little consolation in our continuing losses, even though they are declining quarter by quarter. We still have a long way to go.

Comparing this year's first quarter with the same period last year, production and shipments increased by 63 and 77 percent respectively. Sales revenue increased to 284 million dollars from 170 million dollars. But despite these substantial gains we expect to record a 19 million dollar net loss from integrated steel operations in the first quarter compared with a loss of 33 million dollars in the first quarter last year. As Peter indicated our operating loss prior to financial expense, exchange loss on foreign currency translation and taxes have been reduced by 45 percent from last year's fourth quarter loss. Pre-tax loss will be 8 million dollars lower than the fourth quarter and 30 million dollars lower than the first quarter 1983. Final consolidated results will be published on April 24.

Even though our current raw steel production approximates 80 percent of capability, market demand for our major products, with the exception of hot and cold rolled sheets, remains well below our rail, wide flange, plate and seamless tubular shipment capability. Too great a proportion of our shipments is still in the form of semi-finished product and the average sales return on combined shipments remains below that which was realized in late 1981. Consequently, we are anticipating a net loss in the second quarter but of a lower amount than in the first quarter.

As you are probably aware, Algoma and Stelco's three-year labour agreements terminate this July 31. Both companies entered into early negotiations in an attempt to secure a settlement rather than waiting until May when contract negotiations would normally begin. We did so in order to avoid losing orders to importers or North American competitors as customers moved to protect their steel requirements in the event of a work stoppage at one or both companies.

We were unsuccessful in our initial attempt to obtain an early agreement and negotiations broke off on March 9. Stelco obtained a new three-year agreement on April 5 which is effective August 1 this year and is reported to increase their total union compensation costs by \$3.14 per hour or 15 percent over a three-year period.

Algoma's negotiations are scheduled to resume on April 23. It has not been our policy to negotiate publically and I do not intend to do so today. But it must be recognized that we cannot afford to increase the total employment cost of producing a ton of steel. To the degree that any wage increase is negotiated we will have to do everything possible to recover that additional cost through fewer people on the payroll or increased production with little, if any, increase in the work force.

It is critical to the immediate and future well-being of this Corporation that we concentrate on reducing not only labour costs but also the cost of raw materials and the other supplies and services we use. We cannot lose any of the ground we have gained in cost, quality, productivity and customer service improvements since our first operating loss in May 1982.

We cannot rely on more favourable market conditions in the form of greater demand, lower imports and higher selling prices to solve our problems. We have to do it by controlling costs, improving quality, increasing productivity and carefully allocating capital to those projects that will clearly contribute to short and long term profitability and improvements in our financial strength.

Fundamental changes are occurring in the North American and world steel industry which will surely result in the survival of only the fittest. The

North American market we once enjoyed is no longer available to us just for the asking and transportation costs have ceased to be a barrier to international trade. To be successful we must have the determination and ability to out-perform our competitors. If we do not take business away from them they will surely take it away from us.

We do not intend to let that happen.

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